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UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

BAEZA JEWELERS, LLC.,
Plaintiff,

v.

MYRH, INC.,
Defendant.

Case No.: 2:05-CV-01265-KJD-GWF

ORDER

MYRH, INC.,
Counterclaimant,

v.

BAEZA JEWELERS, LLC.,
Counterdefendant.

Presently before the Court is Defendant Myrh, Inc.'s Motion for Order Bifurcating the Issues of Liability and Damages and Motion for Protective Order (#18). Plaintiff filed a response in opposition (#19), to which Defendant replied (#20).

I. Background

Plaintiff Baeza Jewelers, LLC is a limited liability company doing business in Florida. Plaintiff does not currently have a store in Las Vegas, but had plans to investigate the Las Vegas market. In or about August 2002, Plaintiff applied to register the mark

1 “Rocks Fine Jewelry” with the United States Patent and Trademark Office. That mark was
2 registered on December 14, 2004, effective retroactively to the date of the application.

3 On or about July 17, 2003, Defendant Myrh opened a jewelry store in the Hard Rock
4 Hotel and Casino in Las Vegas, Nevada. Defendant used the mark “Rocks The Jewelers”
5 on its store. On October 20, 2005, Plaintiff commenced the instant complaint alleging
6 three claims against Defendant: (1) trademark infringement in violation of 15 U.S.C.
7 § 1114, (2) common law trademark infringement, and (3) unfair competition. Defendant
8 now moves to bifurcate discovery and trial on the issues of liability and damages.
9 Defendant also seeks a protective order staying discovery and trial on damages until the
10 issue of liability has been resolved.

11 **II. Analysis**

12 “There are times when a suit is triable in separate parts, one affecting the right or
13 liability, and the other affecting the measure of recovery.” Sinclair Refining Co. v. Jenkins
14 Petroleum Process Co., 289 U.S. 689, 693 (1933). Rule 42(b) of the Federal Rules of Civil
15 Procedure authorizes the bifurcation of issues “in furtherance of convenience or to avoid
16 prejudice, or when separate trials will be conducive to expedition and economy.” Fed. R.
17 Civ. P. 42(b). Courts have broad discretion to bifurcate trademark issues for trial. See M2
18 Software, Inc. v. Madacy Entm’t, 421 F.3d 1073, 1088 (9th Cir. 2005). “Claims for
19 monetary relief in trademark actions are generally litigated at a separate hearing, after the
20 determination of liability.” Robert Bruce, Inc. v. Sears, Roebuck & Co., 343 F. Supp.
21 1333, 1348 (E.D. Pa. 1972). “One of the purposes of Rule 42(b) is to permit deferral of
22 costly and possibly unnecessary discovery proceedings pending resolution of potentially
23 dispositive preliminary issues.” Ellingson Timber Co. v. Great N. Ry. Co., 424 F.2d 497,
24 499 (9th Cir. 1970).

25 Defendant asserts that trademark matters are ideal for bifurcation because the lack of
26 a relationship between liability and damage issues is stark. Consequently, a finding of no

1 liability will obviate the need for discovery or a trial on the issue of damages. Defendant
2 also asserts that bifurcation is necessary in this case to avoid unfair prejudice. Defendant
3 alleges that some of the discovery Plaintiff seeks, namely its statements of profit and loss
4 and details of its lease agreements, is extremely confidential and sensitive. Defendant
5 argues that this information is not relevant to reach a determination on the issue of
6 trademark infringement, would be damaging in the hands of a potential market competitor,
7 and need only be produced if it is determined that an infringement had occurred.

8 Plaintiff argues that although bifurcation is not unusual, it is the exception to the
9 rule. See Dallas v. Goldberg, 143 F. Supp. 2d 312, 315 (S.D.N.Y. 2001). Plaintiff alleges
10 that there will be substantial overlap in the testimony establishing liability and damages
11 based on the nature of Myrh's conduct, which would be redundant if the case were
12 bifurcated. Plaintiff further argues that delaying discovery on the issue of damages and
13 requiring a second jury trial to determine that issue weighs heavily against bifurcation.
14 Finally, Plaintiff asserts that it is willing to restrict any sensitive financial documents to
15 Plaintiff's attorneys and expert witnesses.

16 The Court recognizes that bifurcating the issues of liability and damage could cause
17 delays in discovery on damages, and a second jury trial if Plaintiff prevails on the issue of
18 liability. However, this inconvenience would only occur if Defendant is found liable, and
19 is slight when weighed against the possible harm caused to Defendant by having sensitive
20 financial information given to a potential market competitor. The Court agrees that
21 providing profit-loss statements, balance sheets, retail lease agreements, and budgets, even
22 if only to Plaintiff's attorneys and expert witnesses, is excessively burdensome when it is
23 uncertain whether Defendant will be found liable. If Defendant is not found liable,
24 bifurcation will have conserved resources of both the Court and the parties. If Defendant is
25 found liable, the Court does not believe that the resulting delay and separate trial outweigh
26 the notions of justice and fair play resulting from bifurcation.

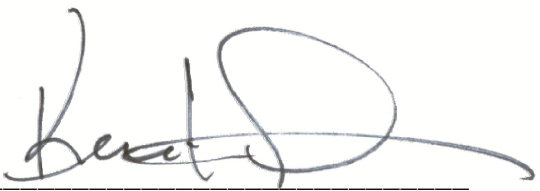
1 **III. Conclusion**

2 Accordingly, IT IS HEREBY ORDERED that Defendant's Motion for Order Bifurcating
3 the Issues of Liability and Damages and Motion for Protective Order (#18) is **GRANTED**.

4 IT IS FURTHER ORDERED that:

- 5 1. The Court will conduct separate trials on the issues of this case in the following
6 sequence: (1) federal trademark infringement liability under 15 U.S.C. § 1114,
7 common law trademark infringement liability, unfair competition liability and
8 willfulness ("Phase 1"); and (2) damages ("Phase 2").
- 9 2. The Court hereby issues a protective order prohibiting the disclosure of any
10 discoverable evidence relating to damages, including but not limited to evidence
11 relating to Defendant's lease agreement and evidence relating to Defendant's
12 confidential financial information, until after the conclusion of Phase 1.
- 13 3. Plaintiff is hereby prohibited from requesting or obtaining discoverable evidence
14 relating to damages, including but not limited to evidence relating to Defendant's
15 lease agreement and evidence relating to Defendant's confidential financial
16 information, until liability is conclusively established against Defendant for any of
17 the Phase 1 claims set forth in this action and this Court makes a determination that
18 an award of damages against Defendant shall be appropriate.
- 19 4. Phase 2 shall commence if, and only if, liability is conclusively established against
20 Defendant for any of the Phase 1 claims set forth in this action and this Court makes
21 a determination that an award of damages against Defendant shall be appropriate.

22 DATED this 23rd day of August, 2006.

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26 Kent J. Dawson
United States District Judge